GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:798
ANSWERED ON:21.02.2003
VAT SYSTEM
AJAY CHAKRABORTY;AVSM, BRIG.(RETD.) KAMAKHYA PRASAD SINGH DEO

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the State Governments sought the assistance of the Union Governmentto compensate the States for loss in revenue consequent on the introduction of Value Added Tax (VAT) from April 1,2003;

(b) if so, whether the Union Government have agreed to the request of the State Governments;

(c) the loss to be suffered by the State Government on the introduction of VAT, State-wise; and

(d) to what extent the said loss is to be compensated by the Union Government?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (GINGEE N. RAMACHANDRAN)

(a) & (b): Yes, Sir.

(c) VAT is yet to be introduced by the States. Therefore, State-wise loss, if any, cannot be assessed at this stage.

(d) The Government of India would compensate the revenue loss, if any, uponintroduction of VAT by the States at the rate of 100 per cent in the first year (2003-04), 75 per cent in the second year (2004-05) and 50 per cent in the third year (2005-06), based on an agreed formula.